

Message Text

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12

ACTION EB-11

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 7102

INFO AMEMBASSY OTTAWA

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EO 11652: N/A

TAGS: EIND, ETRD, MX

SUBJ: US FERROUS SCRAP EXPORTS

REF: MEXICO 5363

1. ACCORDING TO EDUARDO WEBELMAN, MEXICAN DIRECTOR OF COMMERCIAL METALS (DALLAS), A COMPANY WHICH ACCOUNTS FOR SOME 40 PERCENT OF US SCRAP EXPORTS TO MEXICO, MEXICAN END-USERS WILL REQUIRE APPROXIMATELY 350,000 TONS OF SCRAP BETWEEN NOW AND DEC. 31. OF THIS AMOUNT, SOME 120,000 TONS WERE ORDERED ALMOST ENTIRELY BY THE GIANTS, ALTOS HORNOS AND HYLSA, PRIOR TO JULY 1 TO BE SHIPPED BEFORE JULY 31, AND THEREFORE ARE ELIGIBLE FOR LICENSES. AN ADDITIONAL 80-130,000 TONS WILL BE IMPORTED BY SMALLER STEEL PLANTS IN LOTS OF UNDER 500 TONS. (COMMERCIAL METALS WASHINGTON LAWYER BELIEVES THAT MEXICAN BUYERS WILL BE ABLE TO SUCCESSFULLY CIRCUMVENT PARA 7, STATE 136432 BY BREAKING DOWN LARGE ORDER INTO UNDER 500 TON LOGS, PROVIDED THESE CONSIST OF DIFFERENT SCHEDULE B NUMBER CATEGORIES AND THIS PRACTICE IS NOT OVERLY ABUSED.) THIS WOULD LEAVE AN OUTSTANDING DEMAND FOR 100-150,000 TONS WHICH COULD NOT BE MET UNDER EXISTING EXPORT LICENSING REQUIREMENTS. WEBELMAN BELIEVES THAT MEXICO WILL NOT REALLY FEEL THE PINCH UNTIL LATE OCTOBER.

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2. WEBELMAN IS OF THE OPINION THAT THE SHARP INCREASE IN MEXICAN DEMAND FOR SCRAP IS DUE PRINCIPALLY TO THE 9.8 PERCENT RISE IN STEEL PRODUCTION RECORDED IN 1972 AND THE LACK OF A CORRESPONDING INCREASE IN SPONGE AND PIG IRON PRODUCTION WHICH ACTUALLY FELL BY 2 PERCENT LAST YEAR. THE LAG IN DOMESTIC SPONGE AND PIG IRON PRODUCTION NECES-SITATED A CORESPONDING INCREASE IN FERROUS SCRAP IMPORTS. WEBELMAN BELIEVES THAT THE INADEQUATE SUPPLY OF PIG AND SPONGE IRON IS DUE MORE TO POOR PLANNING THAN TO SHORTAGES OF GAS AND ELECTRICITY.

3. COMMENT: WEBELMAN HAS 35 YEARS EXPERIENCE SUPPLYING US SCRAP TO MEXICO AND IS MOST KNOWLEDGEABLE IN FIELD. HIS ESTIMATE OF MEXICAN NEEDS LOWER THAN THAT OF IRON AND STEEL CHAMBER REPORTED IN MEXICO 5363. WHILE HE ALSO ANTICIPATES SERIOUS SHORTAGE OF SCRAP AT END OF YEAR, HE IS LESS PESSIMISTIC AND ALARMIST THAN OTHER SOURCES CONTACTED. GIVEN GREATER OBJECTIVITY HIS APPRAISAL AND TENDENCY OF IMPORTERS TO INFLATE ORDERS IN TIME OF SHORTAGES, EMBASSY INCLINED SUPPORT HIS APPRAISAL OF SITUATION. END COMMENT. MCBRIDE

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